

## Message Text

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PAGE 01 TOKYO 08538 090819Z POSS DUPE  
ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-06 AID-05 EB-07  
NSC-05 EPG-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01  
CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02  
OPIC-03 LAB-04 SIL-01 L-03 H-01 /094 W  
-----090952Z 128502 /12

R 070753Z JUN 77  
FM AMEMBASSY TOKYO  
TO SECSTATE WASHDC 8468  
INFO AMEMBASSY BANGKOK  
AMEMBASSY MOSCOW  
AMEMBASSY VIENTIANE  
AMCONSUL HONG KONG  
USLO PEKING  
AMEMBASSY PARIS

C O N F I D E N T I A L TOKYO 8538

E.O. 11652: GDS  
TAGS: PFOR, EAID, JA, VM  
SUBJECT: JAPAN-VIETNAM DEBT/AID NEGOTIATIONS

REF: TOKYO 4588

SUMMARY. FONOFF SAYS THAT WITH HELP FROM MITI AND BIG BUSINESS CIRCLES, IT IS ON POINT OF OVERCOMING FINANCE MINISTRY RESISTANCE TO EXTENSION OF NEW CREDITS TO SRV. PROJECTED LOANS ARE CONDITIONED ON HANOI'S AGREEMENT TO ASSUME RESPONSIBILITY FOR DEBTS TO GOJ INCURRED BY SAIGON REGIME. IF SOLUTION TO DEBT TANGLE FOUND, WAY ALSO WOULD BE CLEARED FOR GOJ LOANS TO JAPANESE FIRMS DOING BUSINESS WITH SRV. END SUMMARY.

1. GOJ IS LIKELY TO OFFER HANOI NEW AID AGREEMENT SOON, MOFA FIRST SOUTHEAST ASIA DEPDIVDIR KENSUKE HOGEN TOLD EMBOFF. JAPANESE HAD SOUGHT, IN TWO ROUNDS OF TALKS, TO PERSUADE HANOI THAT PRICE OF NEW AID WAS SRV'S ASSUMPTION OF DEBTS OWED JAPAN  
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BY SAIGON REGIME. SECOND ROUND OF TALKS, IN APRIL, MADE NO PROGRESS, PROMPTING AMBASSADOR TO VIETNAM HASEGAWA TO REPORT THAT STALEMATE COULD BE BROKEN ONLY IF GOJ NEGOTIATORS EMPOWERED TO DISCUSS CREDITS AND DEBTS SIMULTANEOUSLY. FONOFF, WITH AID FROM MITI, HAD USED HASEGAWA REPORT TO CHIP AWAY AT FINANCE MINISTRY RESISTENCE TO DESPATCH OF NEW NEGOTIATING TEAM WITH BROADER MANDATE. HOGEN SAID FINANCE MINISTRY WORKING LEVELS

STILL DOUBTED THAT NEW CREDITS WERE ESSENTIAL TO RESOLVE STALEMATE, BUT HE WAS CONFIDENT THAT MINFIN WOULD YIELD IN NEXT FEW WEEKS AFTER COMPETING AGREEMENTS WERE CONSIDERED AT HIGHER BUREAUCRATIC LEVELS.

2. HOGEN SAID OUTSTANDING (SOUTH) VIETNAMESE DEBT, WITH INTEREST, AMOUNTED TO ABOUT FIFTY-SIX MILLION DOLLARS. OF THIS TOTAL, ABOUT TWENTY PERCENT WAS COMMODITY AID FOR WHICH GOJ COULD FORGIVE REPAYMENT. FURTHER, ABOUT HALF THE TOTAL WAS GRANTED THE GVN SHORTLY BEFORE IT COLLAPSE, AND NEVER DISBURSED. SCHEME HOGEN OUTLINED CALLED FOR HANOI TO AGREE TO REPAY REMAINDER (UPWARDS OF SEVENTEEN MILLION DOLLARS), IN RETURN FOR WHICH GOJ WOULD ALLOW FIFTY-YEAR REPAYMENT AND CHARGE VERY LOW INTEREST, CIRCA TWO AND ONE-HALF PERCENT, THE SAME TERMS GIVEN BANGLADESH BY JAPAN. GOJ WOULD MOREOVER, EXTEND TO HANOI MONIES AUTHORIZED BUT NEVER DISBURSED TO GVN AS NEW CREDIT AT SAME TERMS.

3. IN RESPONSE TO EMBOFF'S COMMENT THAT SUCH EASY TERMS MIGHT IRRITATE ASEAN STATES, HOGEN DESCRIBED AMOUNT IN QUESTION AS DROP IN BUCKET COMPARED WITH LOANS GIVEN NON-COMMUNIST SOUTH-EAST ASIANS. HE EXPLAINED THAT MAIN INCENTIVE FOR HANOI TO STRIKE DEAL WAS NOT PROSPECT OF DIRECT AID FROM GOJ, BUT FACT THAT ONCE QUESTION OF OUTSTANDING DEBT DISPOSED OF, JAPANESE FIRMS DESIROUS OF DOING BUSINESS WITH SRV WOULD BE ELIGIBLE FOR GOJ LOANS AND INSURANCE.

4. FONOFF IN PRESENT TEST WITH FINANCE MINISTRY ENJOYED BROAD SUPPORT, HOGEN SAID. LEFTISTS WERE SATISFIED THAT FONOFF WAS CONFIDENTIAL

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DOING BEST IT COULD TO FIND PRAGMATIC BASIS FOR EXPANSION OF TIES WITH SRV. BIG BUSINESS FOR ITS PART ANTICIPATED BRISK EXPANSION OF COMMERCIAL RELATIONS ONCE DEBT QUESTION WAS RESOLVED. KEIDANREN WAS EAGER TO DISPATCH MISSION, IN THAT EVENT, TO WRAP UP FIVE PENDING DEALS: IMPORT OF COKING COAL, SHRIMP PRODUCTS, AND WOOD CHIPS; EXPORT OF STEEL; AND RE-CONSTRUCTION OF HAIPHONG HARBOR.  
MANSFIELD

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## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN RELATIONS, DEBTS, NEGOTIATIONS, FOREIGN ASSISTANCE AGREEMENTS, FOREIGN ASSISTANCE, DEBT REPAYMENTS  
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**Disposition Date:** 22 May 2009  
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**Executive Order:** GS  
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**Review Markings:**  
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